

Message Text

LIMITED OFFICIAL USE

PAGE 01 SANTO 01570 030436Z

12

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 INT-05 FEA-01 AGR-05

/095 W

----- 041931

R 022106Z APR 76

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 6562

INFO AMEMBASSY PORT AU PRINCE

LIMITED OFFICIAL USE SANTO DOMINGO 1570

E.O. 11652: N/A

TAGS: EFIN, EMIN, EGEN, DR

SUBJECT: CENTRAL BANK GOVERNOR'S SPEECH PAINTS OVERLY
OPTIMISTIC OUTLOOK FOR DOMINICAN ECONOMY

REF: SANTO DOMINGO 1086

1. IN HIS ELEVENTH ANNUAL SPEECH ON THE DOMINICAN ECONOMY GIVEN
BEFORE THE LOCAL AMERICAN CHAMBER OF COMMERCE, CENTRAL BANK
GOVERNOR DIOGENES FERNANDEZ PAINTED AN OVERLY OPTIMISTIC PICTURE
APRIL 1 OF THIS YEAR'S PROSPECTS. MANY OF THE FIGURES ON THE
GROWTH RATE, INTERNATIONAL MONETARY RESERVES TRADE BALANCE,
CENTRAL GOVERNMENT BUDGET, AND MONETARY SUPPLY WERE THE SAME
AS THOSE PRESENTED IN THE PRESIDENT'S INDEPENDENCE DAY SPEECH
FEBRUARY 27 REPORTED IN REFTEL.

2. CALLING UPON INVESTORS AND OTHER BUSINESSMEN TO KEEP FAITH IN
THE ECONOMY, FERNANDEZ ASSERTED QUOTE WE ARE FULLY CONVINCED THAT
THE COUNTRY HAS NEVER HAD MORE FAVORABLE INTERNAL AND EXTERNAL
CONDITIONS THAN AT PRESENT TO FACE THE FUTURE WITH OPTIMISM AND
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SANTO 01570 030436Z

TO STRIVE FOR PROGRESS UNQUOTE. IN ORDER TO REACH SUCH A

CONCLUSION, THE GOVERNOR STRESSED THE MORE FAVORABLE ASPECTS OF INTERNATIONAL AND DOMESTIC ECONOMIC DEVELOPMENTS WHILE PASSING LIGHTLY OVER THE LESS FAVORABLE.

3. CONCERNING THE DOMINICAN BALANCE OF PAYMENTS, THE GOVERNOR SAID, QUOTE IT IS WELL KNOWN THAT THE REAL WEALTH IN NATIONS DOES NOT LIE IN THE INTERNATIONAL RESERVES THEY MAY HAVE IN STOCK UNQUOTE. IN THE CONCLUDING REMARKS OF HIS HOUR-LONG SPEECH, HE SAID, QUOTE WE HAVE ESTIMATED THAT SHOULD SUGAR PRICES ONLY REACH AN AVERAGE OF 17 CENTS PER POUND, WE WILL NOT HAVE TO ENDURE A SERIOUS BALANCE-OF-PAYMENTS PROBLEM UNQUOTE. EARLIER IN THE SPEECH HE HAD SAID, QUOTE IT WOULD NOT BE TOO RISKY TO ANTICIPATE THAT THE AVERAGE EXPORT PRICE FOR OUR RAW SUGAR MIGHT REACH THE 17-CENTS-PER-POUND LEVEL UNQUOTE. (THE PRICE IS CURRENTLY AT 14 CENTS AND EACH ONE-CENT CHANGE REPRESENTS ABOUT \$21 MILLION IN FOREIGN EXCHANGE FOR THE DR.)

4. IN ANOTHER OVERLY OPTIMISTIC STATEMENT, THE GOVERNOR DECLARED, QUOTE CURRENCY STABILIZATION TOGETHER WITH THE DECLINE OF THE RATE OF WORLD INFLATION WILL CERTAINLY PUSH DOWN PRICES FOR MOST OF OUR IMPORTS, EXCLUDING OIL AND OIL BY-PRODUCTS UNQUOTE.

5. THE GOVERNOR GAVE THE LATEST FOREIGN EXCHANGE FIGURES AT THE END OF 1975 AS BEING US\$136.1 MILLION IN GROSS INTERNATIONAL RESERVES. THE NET GAIN IN 1975 FOREIGN EXCHANGE HOLDINGS WAS GIVEN AS US\$65 MILLION (UPDATED FROM US\$59.1 MILLION REPORTED IN THE PRESIDENT'S FEBRUARY 27 SPEECH). EMBASSY ESTIMATES NEGATIVE NET INTERNATIONAL RESERVES AT END OF 1974 OF ABOUT \$25 MILLION AND NET POSITIVE RESERVE HOLDINGS NOW OF ABOUT \$40 MILLION. THE 1975 TRADE ACCOUNT WAS REPORTED AS US\$893.8 MILLION EXPORTS AND US\$773.1 MILLION IN IMPORTS. (THE EMBASSY ESTIMATES IMPORTS AT \$825 MILLION.)

6. ON THE DOMESTIC SIDE FERNANDEZ SAID THAT QUOTE AS WAS TO BE EXPECTED, THE ECONOMY'S GROWTH RATE DECLINED FROM A 10 PERCENT AVERAGE IN THE THREE PRECEDING YEARS TO A 6.2 PERCENT GROWTH IN 1975 UNQUOTE. CONTRARY TO WHAT INAZUCAR OFFICIALS HAVE BEEN PRIVATELY TELLING EMBOFFS, THE CENTRAL BANK GOVERNOR SAID THAT QUOTE AT A 14-CENTS-PER-POUND FLOOR THE DOMESTIC SUGAR INDUSTRIES COULD OBTAIN A REASONABLE RATE OF RETURN UNQUOTE. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SANTO 01570 030436Z

7. THE CENTRAL BANK GOVERNOR DEVOTED SOME SPACE TO ANSWERING THE CHARGE THAT THE DOMESTIC MONEY SUPPLY IN RECENT MONTHS HAD CONTRIBUTED TO INFLATIONARY PRESSURES BY BEING ALLOWED TO EXPAND TOO MUCH. HE QUOTED EXTENSIVE FIGURES TO SHOW THAT THE RATE OF EXPANSION OF THE MONEY SUPPLY HAD BEEN SUCCESSIVELY REDUCED THROUGHOUT 1975.

8. FERNANDEZ CONCLUDED THAT WITH INCREASED MINERAL EXPORTS, GROWING TOURISM, AND A RECOVERY IN AGRICULTURE, FUTURE ECONOMIC PROSPECTS WERE QUITE FAVORABLE.

9. THE GOVERNOR HAD SOME BAD LUCK WITH THE TIMING OF HIS SPEECH. PHILIPPINE SUGAR SALES IN THE PAST FEW DAYS HAVE CAUSED A FURTHER DROP IN SUGAR PRICES. AND ON THE DAY OF THE SPEECH THE FRONT PAGE OF SANTO DOMINGO'S LEADING DAILIES CARRIED REPORTS THAT BOTH ALCOA AND FALCONBRIDGE WERE CUTTING BACK PRODUCTION, ALCOA BY AS MUCH AS 50 PERCENT. THERE HAS ALSO JUST BEEN A FLURRY OF COMMENTS AS RESULT OF THE PREDICTION OF A FORMER HEAD OF THE GODR'S NATIONAL DEVELOPMENT COMMISSION THAT THE COUNTRY WOULD BE FACING A BALANCE-OF-PAYMENTS DEFICIT THIS YEAR OF \$300 MILLION.

10. THE DAY FOLLOWING THE SPEECH SANTO DOMINGO'S LEADING DAILY, LISTIN DIARIO, CONTAINED AN EDITORIAL SAYING IT AGREED WITH FERNANDEZ THAT THE DOMINICAN ECONOMY QUOTE IS VERY VIGOROUS AND DYNAMIC UNQUOTE, AND THAT IT ALSO AGREED THAT THE COUNTRY HAD A GREAT PROGRAM OF INVESTMENT WHICH GUARANTEED A HIGH RATE OF FUNDAMENTAL GROWTH. THE EDITORIAL ADDED, HOWEVER, THAT ONE OF THE CONSTRAINTS ON DEVELOPMENT WAS FOREIGN EXCHANGE, AND IT ALSO TOOK STRONG EXCEPTION TO THE CENTRAL BANK GOVERNOR'S DEFENSE OF THE RECENT EXPANSION OF THE MONETARY SYSTEM. THE EDITORIAL WAS PROBABLY DRAFTED BY THE EDITOR, RAFAEL HERRERA, WHO IS A MEMBER OF THE GODR'S MONETARY BOARD.

11. EMBASSY IS POUCHING FIVE COPIES OF THE SPEECH IN A ENGLISH TRANSLATION MADE BY THE CENTRAL BANK. WE ARE ALSO POUCHING AN AIRGRAM ON THE BALANCE OF PAYMENTS AND MANAGING A POSSIBLE PROBLEM THERE.

HURWITCH

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ESTIMATES, SPEECHES
Control Number: n/a
Copy: SINGLE
Draft Date: 02 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: powellba
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SANTO001570
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760126-0305
From: SANTO DOMINGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197604103/aaaadkrm.tel
Line Count: 146
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 SANTO DOMINGO 1086
Review Action: RELEASED, APPROVED
Review Authority: powellba
Review Comment: n/a
Review Content Flags:
Review Date: 20 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 JUL 2004 by BoyleJA>; APPROVED <27 OCT 2004 by powellba>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CENTRAL BANK GOVERNOR'S SPEECH PAINTS OVERLY OPTIMISTIC OUTLOOK FOR DOMINICAN ECONOMY
TAGS: EFIN, EMIN, EGEN, ECON, DR, (FERNANDEZ, DIOGENES)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006